



Auditor of Public Accounts  
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**Harmon Releases Audit of Montgomery County Sheriff's Tax Settlement**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2021 taxes for Montgomery County Sheriff David Charles. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account, and the other reporting on the audit of the fee account used to operate the office.

Auditing standards require the auditor's letter to communicate whether the sheriff's settlement presents fairly the taxes charged, credited and paid in accordance with accounting principles generally accepted in the United States of America. The sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The sheriff's financial statement fairly presents the taxes charged, credited and paid for the period April 16, 2021 through August 31, 2022 in conformity with the regulatory basis of accounting.

As part of the audit process, the auditor must comment on noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following finding:

**The sheriff's 2021 tax settlement was materially misstated:** The final Montgomery County Sheriff's 2021 tax settlement presented to the fiscal court was materially misstated. The sheriff collects franchise taxes when the bills are received intermittently throughout the year. The collections totaled \$1,274,202; however, \$2,215,404 was reported on the sheriff's 2021 tax settlement. The following errors were noted and required adjustments to be made:

- The franchise tax collections for the county, school, health, extension, ambulance, and fire districts did not include June 2022 and August 2022 collections in the amount of \$55,853.
- The settlement did not include \$180 of franchise tax collections in April 2022 for the extension district.
- The settlement reported library franchise tax collections of \$1,119,486; however, the amount collected was \$125,280.
- Sheriff's commissions were reported in the amount of \$599,514; however, the amount of commissions paid was \$558,899.

The sheriff stated his office submits monthly tax reports and supporting documentation to a third party to complete the tax settlement. The sheriff did not properly review the settlement to ensure accuracy. The sheriff's tax settlement was not an accurate representation of the actual financial activity of the office for the 2021 tax year.

KRS 134.192(5) states, "[t]he report of the state and local settlement shall be filed in the county clerk's office and approved by the governing body of the county no later than September 1 of each year. The settlement shall show the amount of ad valorem tax collected for the county, the school district, and all taxing districts, and an itemized statement of the money disbursed to or on behalf of the county, the school district, and all taxing districts."

Good internal controls dictate strong oversight over the preparation of the sheriff's tax settlement to ensure all tax collections are accurate on the settlement.

We recommend the sheriff strengthen internal controls over the settlement and report preparation process and ensure all tax collections, commissions, and taxes paid are included on future settlements.

*Sheriff's Response: Additional controls have been implemented to ensure compliance. All the proper tax collection documentation was submitted to a third party preparer for the preparation of the tax settlement. Communication has been made with the third party preparer and the findings of this report have been discussed with them.*

The sheriff's responsibilities include collecting property taxes, providing law enforcement and performing services for the county fiscal court and courts of justice. The sheriff's office is funded through statutory commissions and fees collected in conjunction with these duties.

The audit report can be found on the [auditor's website](#).

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